

VZCZCXYZ0000  
PP RUEHWEB

DE RUEHTV #0600/01 0701532  
ZNY SSSSS ZZH  
P 111532Z MAR 09  
FM AMEMBASSY TEL AVIV  
TO RUEHC/SECSTATE WASHDC PRIORITY 0945  
INFO RUEHJM/AMCONSUL JERUSALEM PRIORITY 1639  
RHEHNSC/NSC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

S E C R E T TEL AVIV 000600

SIPDIS

NEA/IPA  
S/EX  
TREASURY FOR GLASER, D. AND LEVEY, S.  
NSC FOR MICHAEL PASCUAL

E.O. 12958: DECL: 03/10/2019  
TAGS: [EFIN](#) [KNNP](#) [KTFN](#) [KPAL](#) [PTER](#) [PREL](#) [IS](#)  
SUBJECT: GOI PROPOSES INTERNATIONAL MECHANISM FOR FUNDS TO  
GAZA

REF: A. 08 TEL AVIV 2713  
[B.](#) 08 TEL AVIV 2603  
[C.](#) 08 TEL AVIV 2447  
[D.](#) 08 TEL AVIV 2859  
[E.](#) JERUSALEM 259  
[F.](#) TEL AVIV 471

Classified By: Amb. James Cunningham for reasons 1.4(b) and (d)

1.(C) Summary: In anticipation of GOI-USG meetings in Washington later in the week, on March 9 Paul Goodvach, Deputy Director for the Israeli National Security Council's (NSC) Counter Terrorism Finance Bureau, presented the NSC's vision for an international mechanism governing transfer of donor funds to the PA for Gaza recovery (summary document, which is also included below, has been forwarded to interested Washington agencies and CG Jerusalem). Econoff reminded Goodvach of Embassy efforts with high-level GOI officials for a regular, monthly cash transfer to Gaza unrestricted by ad-hoc GOI deliberation, but Goodvach said that the NSC and Ministry of Defense (MOD) felt that even small amounts of cash entering Gaza should be carefully scrutinized and approved by the GOI in advance. This security review mechanism would not be changed by the NSC's proposed framework; approval for transfer of cash to Gaza would remain under the tight control of the Ministry of Defense (MOD) rather than the international oversight mechanism.

2.(C) Comment: The highest levels of the GOI firmly believe that much of the NIS 90 million from February's cash transfer used by PM Fayyad for the UNDP housing reimbursement program ended up in the hands of Hamas. We have seen no evidence to support that claim despite our requests that the GOI show us the smoking gun, but suspect that this mechanism was prompted in part by the concerns that rumor has generated. Absent proof that there is a problem, we do not see that this mechanism provides either a necessary or sufficient solution. We also do not believe that the USG should support a mechanism that piles GOI control of donor revenues on top of GOI control of cash transfers between Palestinian banks. End Comment and Summary

3.(C) Goodvach passed Econoff a draft proposal for an international mechanism governing transfer of funds to the PA for Gaza (see para 7 for full text of proposal). The proposal outlines a framework for monitoring the receipt and use of donor monies to the PA destined for Gaza recovery. The proposed framework would require that a "Directorate" composed of members from the international community and an "Implementation Team" managed by the World Bank/EU and a private, international accounting firm work together to

oversee movement and use of donor funds by the PA. The proposal retains the MOD's responsibility for approval of cash transfers to Gaza. Echoing the views expressed by other GOI security colleagues, Goodvach said that the NSC wished to avoid even the slightest chance that cash entering Gaza would fall into the hands of Hamas.

4.(C) On that issue, Econoff reminded Goodvach of the USG view that the GOI should work towards approval of a cash amount that Palestinian banks could transfer to their Gazan branches in anticipation of the payment of PA salaries and other expenses each month. Goodvach said approval for the entrance of goods, including bank notes, into Gaza rested with the MOD. He emphasized that the current consensus within the Israeli security community with regard to cash transfers to Gaza was to reserve control and oversight solely for the GOI.

5.(C) Comment: This proposal mixes two distinct but related issues: the transfer of cash already inside the Palestinian banking system to Gazan branches ("Gaza Cash Transfers") and monitoring the transfer of outside revenues to the PA for Gaza projects to ensure that they stay outside the control of Hamas ("Palestinian Revenue Oversight"). Embassy has encouraged the highest levels of the GOI to commit to approving the transfer of a specific minimum amount of cash each month from West Bank banks to their Gaza branches, arguing that the current approach weakens the formal PA-run banking sector and strengthens Hamas.

6.(C) Comment Continued: While the implementation of a system to ensure that Hamas is blocked from receiving funds is of great importance, we have seen no evidence from the GOI that

routine monthly cash transfers between Ramallah-based Palestinian banks and their Gaza branches benefits Hamas, nor have we seen any evidence that donor funds are being used inappropriately in Gaza. We would encourage USG interlocutors meeting with the Israeli delegation to push for evidence that this security-driven framework is necessary and that it will meet our shared objectives of ending the smuggling regime, reducing Hamas' influence, and strengthening the PA. End Comment

7.(S/REL USA, IL) BEGIN TEXT OF GOI DRAFT PROPOSAL:

Draft Proposal:

"International Mechanism for the Transfer of Funds and Donations to the Gaza Strip

Goals

1. Channeling funds to enable the re-building of Gaza whilst ensuring the money is not misdirected to destabilizing elements.

2. Empowering the Palestinian Authority (PA) and other institutions in Gaza committed to peaceful co-existence in the region.

3. Developing a mechanism for money transfer to Gaza according to predetermined parameters with the PA.

4. Establishing an effective mechanism for money transfers to Gaza for salaries and money intended for immediate aid.

5. Establishing an international mechanism that will grant guarantees to donors that money transferred to Gaza serves its purpose while minimizing the possibility that the money will be diverted to terror.

Modus Operandi

1. Establishing principals regarding transferring funds to Gaza.

Amongst the principles:

. All funds transferred to Gaza by International elements and International Organizations will be made only by the Palestinian Authority (PA) via a Single Treasury Account (STA).

. One option is to open a dedicated STA account for the Gaza Strip via a bank in Ramallah, from which money will be transferred via three separate channels: salaries, international organizations, contractors of pre-determined rehabilitation programs.

. This account will be controlled from Ramallah.

. All funds transferred to Gaza by the PA will be coordinated with Israel in advance and with Israel's consent.

. PA will provide Israel details regarding the destination of money transfers as well as the ultimate beneficiaries.

. Israel will maintain the authority to decide the amounts passed to Gaza via the PA. The PA will submit a detailed monthly request for the transfer of funds to Gaza. The coordination will be made between the Palestinian Monetary Authority (PMA) and Israel's Co-ordination Office of Government Operations in the Territories (COGOT). Israel will hold the right to veto any transfer of funds pending reports of international inspectors.

. Money will only be transferred to banks with international activity or international correspondences as well as anti money laundering and terror finance policy and regulations.

. There will not be transfers made to beneficiaries declared as terrorist organizations by OFAC or Israel.

. Principals for monitoring the use of funds transferred by the International Community to the STA will be determined by the Directorate.

. A supervising mechanism will be established to monitor

funds and donations as well as their usage in Gaza.

Establishing a Supervisory Mechanism for the Transfer of Funds

¶1. Establishment of an international mechanism for monitoring all fund transfers from the International Community via the banking system to pay salaries, contractors, welfare etc.

¶2. Such a mechanism will provide Israel as well as the donors maximum guarantee that funds transferred are not diverted to terror or military activities.

¶3. Members of this mechanism (see ahead) will receive monthly reports from inspectors in the field regarding the allocation of the funds. Future cash transfers will be based on these reports.

¶4. The aim is to reach a monthly cash flow that includes PA wages, international organizations salaries, welfare funds, coverage of International activity and money transfers by PA for humanitarian aid.

¶5. Modus Operandi via international inspectors will be addressed separately with international elements aiming to maximize guarantees for the donors and Israel.

The Mechanism

¶1. A supervision mechanism will be established including a Directorate and an Implementation Team (options for Head of the Directorate may include Tony Blair and George Mitchell).

¶2. The Directorate will comprise members from the PA, UN, Egypt, Israel, Norway, the US and the EU. Implementation will

be headed by the World Bank/EU together with a major international accounting firm.

¶3. The Implementation Team will be responsible for establishing an apparatus, approved by the Directorate governing the supervision mechanism. The apparatus will enable supervision and control of fund allocation within Gaza according to international standards.

¶4. The Implementation Team will submit a monthly report to the directorate, regarding the use of funds in Gaza, based on data received from the accounting firm.

¶5. The mechanism will be run by a team from the World Bank or the EU Fund Transfer Mechanism "Pagase", with the necessary changes made due to conditions in Gaza. As long as feasible, preference will be given to assisting existing donation mechanisms rather than establishing a new mechanism.

¶6. The mechanism will not supervise transferring the funds to Gaza nor determine the sums to be transferred. This authority will remain in the hands of Israel.

¶7. In order to prevent money laundering or terror finance, the mechanism will act in accordance with FATF rules. Inspection will be performed according to international standards.

¶8. Money to Gaza will be transferred only from a dedicated account of the PA.

¶9. Establishing the mechanism, lines of action and management, will be coordinated with the USA as soon as possible.

¶10. The mechanism is unlimited by time.

¶11. Any change in nature or mode of operation of the mechanism will be made in coordination with Israel and the PA."

END TEXT OF GOI DRAFT PROPOSAL.

\*\*\*\*\*  
Visit Embassy Tel Aviv's Classified Website:  
<http://www.state.sgov.gov/p/nea/telaviv>  
\*\*\*\*\*  
CUNNINGHAM